



**S Corp Apportionment Credit**

Name(s) as shown on IA 1040	Social Security No.	Spouse's SSN (if filing status 2)
Name of S Corporation	Federal Identification Number	

**PART 1: INCOME ITEMS Note: Lines 1-6 are from Shareholder's Federal Schedule K-1**

1. Ordinary income (loss) from trade or business (line 1, Federal Schedule K-1) .....	1	_____
2. Net income (loss) from rental real estate activities (line 2, Federal Schedule K-1) .....	2.	_____
3. Net income (loss) from other rental activities (line 3, Federal Schedule K-1) .....	3.	_____
4. Portfolio income (loss)		
a. Interest (line 4a, Federal Schedule K-1) .....	a.	_____
b. Dividends (line 4b(2), Federal Schedule K-1) .....	b.	_____
c. Royalties (line 4c, Federal Schedule K-1) .....	c.	_____
d. Net short-term capital gains (loss) (line 4d(2), Federal Schedule K-1) .....	d.	_____
e. Net long-term capital gains (loss) (line 4e(2), Federal Schedule K-1) .....	e.	_____
f. Other portfolio income (loss) (line 4f, Federal Schedule K-1) .....	f.	_____
4. Total of lines a-f .....	4.	_____
5. Net gain (loss) under IRC section 1231 (other than due to casualty or theft) (line 5b, Federal Schedule K-1) .....	5.	_____
6. Other income (loss) (line 6, Federal Schedule K-1) .....	6.	_____
7. S corporation income (sum of lines 1-6) .....	7.	_____

**PART II: DEDUCTIONS**

8. Section 179 expense deduction (line 8, Federal Schedule K-1) .....	8.	_____
9. Other deductions (other than itemized deductions - see instructions) (line 10, Federal Schedule K-1) .....	9.	_____
10. Sum of lines 8 and 9 .....	10.	_____
11. Taxpayer's share of S corporation income (subtract line 10 from line 7) .....	11.	_____
12. State adjustments to Federal S corporation income (attach schedule) .....	12.	_____
13. Taxpayer's share of Iowa S corporation income (add lines 11 and 12) .....	13.	_____

**PART III: APPORTIONMENT**

14. Enter total non-business income .....	14.	_____
15. Subtract line 14 from line 13 .....	15.	_____
16. Business activity ratio (as reported by S corporation on Schedule C of 1120S) .....	16.	_____
17. Income apportioned to Iowa (line 15 times line 16) .....	17.	_____
18. Enter Iowa non-business income .....	18.	_____
19. Iowa-source S corporation income (add lines 17 and 18) .....	19.	_____

**PART IV: CREDIT CALCULATION**

20. Value of cash or property distribution from income not previously taxed by Iowa .....	20.	_____
21. 100% of Federal tax on S corporation income (100% of line 9, Schedule A, IA 134) .....	21.	_____
22. Subtract line 21 from line 20 (if less than zero, enter zero) .....	22.	_____
23. Enter the greater of line 19 or line 22 .....	23.	_____
24. Iowa net income (line 26, IA 1040; exclude NOL carryforward/carryback) .....	24.	_____
25. Enter the amount from line 13, IA 134 .....	25.	_____
26. Subtract line 25 from line 24 (if less than zero, enter zero) .....	26.	_____
27. Enter the amount from line 23, IA 134 .....	27.	_____
28. Add lines 26 and 27 .....	28.	_____
29. Divide line 28 by line 24 (enter percent to 4 decimal places) .....	29.	_____ %
30. Subtract line 29 from 100% .....	30.	_____ %
31. Iowa tax after credits (line 51, IA 1040) .....	31.	_____
32. Credit: Multiply line 31 by line 30. Enter on line 54, IA 1040 .....	32.	<div style="border: 1px solid black; width: 100px; height: 20px;"></div>



**GENERAL INSTRUCTIONS**

Iowa resident shareholders of S corporations may be eligible for a credit if the S corporation carries on business outside Iowa.

Married filing separate taxpayers (filing status 3 or 4): Each spouse must calculate a separate IA 134 credit.

If a taxpayer is a shareholder in multiple S corporations, a separate IA 134 must be completed for each S corporation.

Resident shareholders of all S corporations which carry on business activities in at least one other state may, at their election, determine the S corporation income allocable to sources within Iowa by allocation and apportionment of the S corporation income.

**Page 1, line 9 - Other Deductions**

Do not include amounts paid by the corporation that would be allowed as itemized deductions on a shareholder's return if they were paid directly by a shareholder for the same purpose.

**Page 1, line 20 - Value of cash or property distributions from income not previously taxed by Iowa:**

Distributions from income not previously taxed by Iowa include the amount of all cash distributions and the fair market value of all property distributions made during the year.

Do not include the following on this line:

- a. Distributions not subject to Iowa tax. Example: interest from Federal securities or certain securities issued by Iowa.
- b. Distributions from income previously taxed by Iowa for a year in which the S corporation was a C corporation and which is taxed as a dividend or capital gain for Federal income tax purposes.
- c. Distributions from income previously taxed by Iowa for a year prior to the first tax year the resident shareholder elected to apportion income.
- d. Distributions treated as a return of capital for Federal income tax purposes.

**OTHER INFORMATION**

1. A shareholder of an S corporation which carries on business outside Iowa which has elected to apportion income and then elects not to apportion income cannot re-elect to apportion income for three tax years immediately following the first tax year in which the shareholder elected not to apportion income, unless the director of the Iowa Department of Revenue consents to the election.

2. If a taxpayer takes advantage of the apportionment provisions for a resident shareholder of an S corporation, then the taxpayer may not take a credit against Iowa income tax for income taxes or taxes measured by income paid to another state or foreign country on the S corporation income.

3. To the extent that any gift, grant, or donation to the Iowa Educational Savings Plan Trust Endowment Fund made on or after July 1, 1998 has not been deducted in computing Federal taxable income, shareholders may deduct their pro rata share of the amount for Iowa income tax purposes.

4. For tax years beginning on or after January 1, 2002, 100% of Federal income tax attributable to S corporation income can be deducted on page 1, line 21.

For more information, contact Taxpayer Services at 515/281-3114 or 1-800-367-3388 (Iowa, Omaha, Rock Island/Moline only); e-mail: idrf@idrf.state.ia.us.

**INSTRUCTIONS FOR SCHEDULE M2**

**Line 1.** Column (a) for the first tax year after making the election to determine Iowa-source S corporation income by allocation and apportionment, enter zero.

Column (c) for the first tax year after making the election to determine Iowa-source S corporation income by allocation and apportionment, enter the amount of the resident shareholder's share of the Federal accumulated adjustments account at the close of the tax year prior to making the election.

**Line 6.** Column (a). Enter the greater of line 4 or line 5.

**Line 7.** Distributions are made pro rata from both income subject to Iowa income tax and from interest and dividends exempt from Iowa income tax.

Column (c) line 7 plus Column (a) line 5 should equal total distributions for the tax year.

The following distribution ordering rules are to be followed:

1. Distributions are first deemed made from current-year income to the extent thereof and

2. Distributions are then from income not previously taxed by Iowa except as limited by Iowa Rule 701-50.3.

**Line 8.** Column (a). Add lines 1 and 2. Subtract line 6. Enter the result on line 8.

Column (b). Add lines 1 and 3. Subtract line 5. Enter the result on line 8.

Column (c). Add lines 1 and 4. Subtract line 7.

Enter the result on line 8.



**Schedule A: Federal Income Tax Attributable to S Corporation Income**

Shareholders who file joint returns for Federal and status 3 for Iowa can refer to Iowa rule 701-50.9 for clarification.

1 Taxpayer's share of Federal S corporation income (line 11, IA 134)	
2 Federal adjusted gross income (line 35, Federal 1040)	
3 Line 1 divided by line 2 (enter percentage to 4 decimal places)	%
4 Federal income tax before credits (line 41, Federal 1040)	
5 Federal alternative minimum tax (line 42, Federal 1040)	
6 Net Federal income tax (line 4 plus line 5)	
7 Line 3 times line 6	
8 Federal income tax credits related to S corp (exclude backup withholding and MVF tax credit)	
9 Federal income tax attributable to S corporation income (line 7 minus line 8)	

**Schedule M2: Account Analysis**

	(a) Shareholder's undistributed income not previously taxed by Iowa	(b) Other adjustments account	(c) Shareholder's undistributed previously taxed S corporation income
1 Balance at beginning of tax year .....			
2 Net S corporation income or loss (line 13, IA 134) ....			
3 Interest and dividends exempt from Iowa income tax			
4 Enter the amount from line 19 on IA 134 .....			
5 Enter the amount from line 20 on IA 134 .....			
6 Enter the greater of lines 4 or 5 .....			
7 Enter the amount of distributions of undistributed previously taxed S corporation income .....			
8 Balance at the end of the tax year. ....			